

Background

Geography

The territory of Vietnam comprises a land mass of 330,000 km², a vast sea area including a large continental shelf, and a string of archipelagos stretching from the Gulf of Tonkin to the Gulf of Thailand.

On the map, Vietnam takes an elongated “S” shape. The national territory is approximately 1,750 km long, ranging from its Northernmost point to its Southernmost point, and its width varies from 50 km to 600 km. The total inland border line is 4,230 km in length, including 1,650 km of common border with the People’s Republic of China in the North, 1,650 km with the Laos People’s Democratic Republic in the West, and 930 km with the Kingdom of Cambodia in the West and South West.

The sea area in Vietnam is to the east, the South and the South West borders on the territorial water of Cambodia, Indonesia, Malaysia, the Philippine and Thailand. Vietnam possesses a large continental shelf, many coastal and offshore islands and archipelagos. The main islands and archipelagos are Phu Quoc Island (70 km off the Ha Tien coast), Hoang Sa (Paracel) archipelago (300 km off the Da Nang coast), Truong Sa (Spratly) archipelago (500 km off Cam Ranh coast) and Tho Chu archipelago (200 km off the Rach Gia coast).

Vietnam has a rather diversified topography of plains, midlands, and mountains. Mountains and forests with more than 7,000 vegetable breeds make up three fourths of the area of Vietnam and can be divided into four main zones: the North-eastern mountain area, or Viet Bac; the North-western region; the North Truong Son region; and the Central Highlands. The largest and potentially most fertile plains are the Me Kong River Delta in the South and the Red River Delta in North.

The capital of Vietnam is Hanoi, which lies in the North of

the country. Principal cities include Ho Chi Minh City ("HCMC") in the South, Hai Phong on the north-east coast and Da Nang, Hue and Nha Trang, all on the east coast.

Climate

Vietnam lies in the tropical monsoon zones. The typical features of this zone include warmth, humidity and abundant seasonal rainfall.

In the North, climate changes occur in four seasons: spring (from January to April), the feature of which is drizzle and constant humidity; summer (from May to July), which is hot and rainy season, autumn (from August to October) and winter (from October to early January), the season with the lowest temperatures of the year.

In the Central and the Southern parts (from Da Nang southwards), it is hot all the year round and there are only two seasons: a rainy season (from May to October), and a dry season (from October to April).

Population and Demography

The total population of Vietnam is now accounting for about 91.7 million (not including 4 million Vietnamese living abroad); Vietnam is ranked at 13th in the world, 8th in Asia and 3rd in Southeast Asia in term of population size. The population is composed of 54 ethnic groups, of which the Viet (Kinh) accounts for 86.2% and lives in the deltas and coastal areas.

Distribution of population is uneven, with rural population accounting for about 69.4% of the total. Also, the population is not evenly distributed within the regions, Red River and Mekong River Deltas, for instance, accounting for 17% of the total land area but are home to over 41% of the total population whereas the Central highlands and Northern mountainous areas which account for over 48% of the total land area but have only about 21% of the total population. As for urban areas, Hanoi and HCMC, for instance, are the two largest

population-density cities, with about 7.1 million and 8 million, respectively.

The average population growth rate now is about 1.08% per year which is among the highest rate in the region. Population growth rates are also different and vary sharply from region to region. Normally, the mountainous and rural areas have a much higher growth rate as compared with that in the urban areas, particularly in Hanoi and other principal cities.

In addition, a matter of fact is that the rate of migration to urban areas is growing significantly in recent years and expected to continue in the future, from rural to urban areas and/or big cities. The main reason is that agricultural sector becomes more mechanized while high labor demand is arising in urban areas and in industrial zones.

Language

As earlier said, although the population of Vietnam comprises a number of ethnic groups, each with its own culture and language, Vietnamese (the language of the Viet) is used as the national standard for communications among all ethnic groups in Vietnam. Although the writing is the same throughout the country, there are in fact some differences in speaking by Vietnamese between the two parts, the North and the South.

Amongst foreign languages in Vietnam, English becomes now the most common one for communications in Vietnam after a very short of time practicing here. Although it is a generalization, it is seen that French and Chinese are still quite widely spoken in Vietnam by the older generations due largely to the historical reasons. Thanks to the close co-operations between Vietnam and other former socialist countries, including the U.S.S.R., D.D.R., etc., in the past, a number of Vietnamese can now speak and understand Russian, and German. Because of being quite common in use, English and French are used in support for Vietnamese, in some legal documents relevant to foreign trade and foreign direct

investment.

Political and Legal Environment

Political and Legislative System

The Constitution in general establishes the mastery of the people under the leadership of the Communist Party, of which the highest representation is the Politburo and the Party Secretary General. The power of the people is to be exercised through the National Assembly at the central level and the People's Councils at different local levels.

The National Assembly is the supreme representative and legislative body and determines both domestic and foreign policy. It is elected by universal suffrage. The National Assembly in turn elects and may remove from office the President, Vice-President, Chairman of the National Assembly, Vice-chairman of National Assembly, members of the Standing Committee of the National Assembly, the Prime Minister, the Chief Justice of the Supreme People's Court and the Head of the Supreme People's Procuracy. In addition, the National Assembly has the responsibility of sanctioning the Prime Minister's selection of Deputy Prime Ministers and Ministers.

The National Assembly is also responsible for approving the organization of the Government and its agencies, and is the supreme law making body. The duration of the National Assembly is 5 years and elections are held two months prior to the expiry of its term. The Standing Committee possesses the power to manage the day-to-day affairs of the National Assembly when it is not in session and during this time the Standing

Committee assumes all its powers, including the law making power on matters entrusted to it by the National Assembly.

The Head of State is the President. He is elected by the National Assembly and represents the Nation internally and externally.

The highest executive body in Vietnam is the Government, formerly known as the Council of Ministers. It is charged generally with the management of the economy and the state. It is made up of the Prime Minister, Deputy Prime Ministers, Ministers and the Chairmen of the various State Committees and the Governor of the State Bank. Individual ministries and organizations equivalent to ministries aid the Prime Minister in the administration of the Country within the specific fields in which they have jurisdiction. The deputy prime ministers and the ministers are selected by the Prime Minister but must be approved by the National Assembly. With the exception of the Prime Minister, the members of the Government do not have to be members of the National Assembly. Decisions on major issues must be taken on a majority basis.

Below the Government are People's Committees and People's Councils. The People's Councils are elected by the people and in turn elect the People's Committees. These bodies occur at the levels of city/province, district and commune. Each city/province, district and commune is governed by a People's Committee.

The court and prosecution systems in Vietnam have a structure similar to the administrative system. In the central level, the Supreme People's Court is the highest juridical body in Vietnam and the Chief Justice is elected by the National Assembly for the term of the National Assembly. The Supreme People's Procuracy has the highest power on prosecution in Vietnam and the Head is also elected by the National Assembly for the term of the National Assembly. In local levels, these bodies occur at the levels of city/province and district.

Legal System

In Vietnam, the legal system comprises of constitution, codes, laws, ordinances, decrees, decisions, circulars, directives, and official letters, to some extent. Although all have the force of law, only a law passed by the National Assembly is referred to as such.

Ordinances are issued by the Standing Committee of the National Assembly, commonly to regulate on an area where a law is not yet promulgated and/or regulated. On matters that the National Assembly entrusted to the Government, the Government issues decrees or decisions or directives to implement the issued laws or ordinances.

Circulars, decisions and regulations are normally issued by individual ministries and other State agencies including people's committees, with respect to subjects within their sphere of responsibility and the force of subordinate legislation.

It should be noted when using that while codes, laws and ordinances are referred to by the name, decrees, decisions, circulars and directives are usually referred to by the number, signing date, and the name of issuer.

Economic Environment

Gross Domestic Product (GDP) Growth

Economy and society development in the recent years took place in the context of global market turmoil, the world economy still faces a big risk with unpredictable factors. In such a context, Vietnam registered quite a high growth, with 2009 at

5.32%, 2010 at 6.78%, 2011 at 5.89%, 2012 at 5.25%, 2013 at 5.42%, 2014 at 5.98%, 2015 at 6.68%, and 2016 at 6.21%. Due to the impact of a prolonged global economic crisis combined with the difficulties and inherent inadequacies of Vietnam's economy, the growth rate of Vietnam sometimes decreased. However, in the last years, Vietnam's economy is undergoing stronger restoration and development. Growth rate of 2016 although being lower than that of 2015 and not achieving the set target of 6.7%, is still higher than those of years from 2011 to 2014 in the context of unfavourable world economy, prices and global trade falling, the country coping with many difficulties due to complicated weather and sea environment, the achievement of such growth rate is a success, affirming the rightness, timeliness and efficiency of the measures and solutions enacted and directed by the Government to be drastically implemented in all branches and localities at different levels; and simultaneously reveals clear recovery of our country's economy.

Year	2009	2010	2011	2012	2013	2014	2015	2016
GDP Growth	5.32 %	6.78 %	5.89 %	5.25 %	5.42 %	5.98 %	6.68 %	6.21 %

Sectorial Growth

The structure of the Vietnam's economy, which is basically made up of three sectors: agriculture, industry and construction, and services, has been undergoing a considerable transformation over the last few years, with the agriculture sector declining its contribution while the industrial and service sectors increasing their shares.

Year	2009	2010	2011	2012	2013	2014	2015	2016
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Agriculture, Forestry & Fishery	1.82 %	2.78%	3.08%	2.67%	2.63%	3.44%	2.41 %	1.36 %
Industry & Construction	5.52 %	7.7 %	6.49 %	5.43 %	5.08 %	6.42 %	9.64 %	7.57 %
Services	6.63 %	7.52%	6.12 %	6.56 %	6.72 %	6.16 %	6.33 %	6.98 %

Foreign Direct Investment (FDI) Flow

Up to 20 March 2017, as many as 23,071 foreign-invested projects from 116 countries and territories with a total registered capital of over US\$300.074 billion, had been licensed in Vietnam. In the first three months of 2017, there were 493 new foreign-invested projects with a total capital registered of US\$2.917 billion were issued with Investment Registration Certificates (IRCs), or 6.5% compared to the same period of 2016. In addition, there are 223 projects adjusted their investment capital with a total increased capital registered of over US\$3.94 billion, up 206.4% compared to the same period in 2016; 1,077 capital contributions and equity acquisitions by foreign investors with the total value of US\$ 852,86 million, increasing by 171,5% compared to the same period of 2016. For the whole of new & additional funds and capital contribution & equity acquisition, in the first three months of 2017, investors have registered to invest US\$7.71 billion in Vietnam, equivalent to 171.5% compared to the same period in 2016. Total capital disbursed in the first three months in 2017 has reached US\$3.62 billion, increasing by 3.4% compared to the same period of 2016. This confirms Vietnam's FDI is recovering steadily after years affected by the global and domestic economic downturns.

By sectors, the Processing and Manufacturing sector absorbs the largest quantity of foreign capital into Vietnam, with registered capital of over US\$178.574 billion and 11,903 projects. The Property & Construction sector stands behind with the registered capital of over US\$63.509 billion and 2,008 projects; the Electricity, Gas & Water Production and Distribution with the registered capital of over US\$12.908

billion and 108 projects; the Accommodation & Food services with the registered capital of around US\$11.539 billion and 562 projects; and the Wholesale, Retail and Automobile & Motorcycles repair sector with the registered capital of around US\$5.6 billion and 2,357 projects.

By localities, all 63 cities and provinces of Vietnam have been fully covered by foreign investment. Nation-wide, foreign investment most focuses on the South, especially Ho Chi Minh City, Binh Duong, Ba Ria-Vung Tau, Hanoi and Dong Nai. Among the principal cities and provinces, HCMC and Binh Duong are the most attractive ones, which accounted for about 15.1% and 9.2% of the total registered capital in Vietnam. Ba Ria-Vung Tau, Hanoi and Dong Nai stand behind, with the registered capital accounted for 9%, 8.6% and 8.5% of the total registered capital respectively.

By nationality, 116 different countries and territories have so far invested in Vietnam. The Republic of Korea now is the biggest foreign investor with 5,932 projects and registered capital of over US\$54.01 billion, followed by Japan, Singapore, Taiwan, British Virgin Islands, etc. These top five economies have invested in 14,396 projects (over 62.18% of the total licensed projects) with total registered capital of over US\$188.768 billion (around 62.77% of the total registered capital). Other countries and territories like Hong Kong, Malaysia, China, the United States and Thailand, which have given impetus to get a steady foothold in Vietnam, and are now among the top ten. The “top ten” investors account over 82.29% of the total licensed projects and over 82.3% of the total registered capital in Vietnam.

Official Development Aid (ODA) and Preferential Loan Commitments

Vietnam first received US\$1.8 billion of ODA from international donors in 1993. The figure has been increased year by year and during the period from 1993 to 2014, the

total value of ODA commitments to Vietnam amounted to US\$89.5 billion, total capital of signed commitments reaching US\$73.68 billion, US\$3.5 billion/ year on average, has been provided by the community of 51 global donors (28 bilateral donors and 23 multilateral donors). Thanks to the positive economic development and the political stability, the ODA commitments by the international donor community to Vietnam although still being quite high follow the trend of being decreased from year to year. Particularly, US\$6.144 billion was agreed for 2009, US\$8.063 billion for 2010, US\$7.88 billion for 2011, almost US\$7.4 billion for 2012, over US\$7 billion for 2013, about US\$5.6 billion for 2014, more than US\$2.75 billion for 2015, and around US\$5.38 billion for 2016 due to many countries stop or reduce provision of ODA to Vietnam when Vietnam became a lower middle-income country since 2010 in going line with the country's policy on mobilization of ODA and preferential loans focusing on the quality and efficiency of ODA capital and preferential loans to ensure public debt sustainability. In practice, thanks to Vietnam's capacity and experience on receiving funds, capital from this source was being disbursed progressively better from US\$3 billion in 2009, US\$3.5 billion in 2010, US\$3.65 billion in 2011, US\$3.9 billion in 2012, US\$5.1 billion in 2013, around US\$5.65 in 2014, US\$3.7 billion in 2015, and approximately US\$3.7 billion in 2016 increasing the total ODAs which have been disbursed so far to about US\$65.1 billion.

Global Integration

Thanks to the excellent preparations, Vietnam officially became the 150th member of the WTO from November 2007, and at the same time, achieved the Permanent Normal Trade Relations (PNTR) with the US in the same year. In addition to an ASEAN – China Free Trade Agreement as of 2004 and a Framework Agreement on Comprehensive Economic Cooperation among the ASEAN countries and the Republic of Korea of 2005, the coming into full effect of a Comprehensive Economic Partnership

Agreement between ASEAN countries and Japan as well as the signing of another separated one between Vietnam and Japan in 2008 and the coming into force of an ASEAN-Australia-New Zealand FTA in 2010, added by the initial negotiations for a future FTA between Vietnam and the EU in June 2012, and in 2015 Vietnam ended basically negotiating a FTA with the European Union (officially signed at the end of 2015) to create conditions for Vietnam's products to penetrate more easily into five of the largest economy in the world, with much lower tax rates. Concurrently, on 4 February 2016, 12 countries contracting the Trans-Pacific Partnership Agreement (TPP), including Vietnam, attended the signing ceremony for authentication of TPP wordings in Auckland, New Zealand. With the authorization of the Prime Minister, the Minister of Industry and Trade Vu Huy Hoang Vietnam on behalf of the Government signed authenticity of wordings of TPP and 35 bilateral agreements in domains related to financial services, textiles and garment, agriculture, intellectual property, etc. that Vietnam has agreed with the TPP countries. These bilateral agreements will take effect at the same time with TPP.

Social Environment

Education

Vietnamese are most well-educated, with a literacy rate of over 95%. As for university and college training alone, there are in total about 412 universities, colleges and junior colleges throughout the country, attracting nearly million students each academic year.

Although having not a State school for foreigners in Vietnam,

foreign diplomatic and economic institutions have set up schools for their staff's children. Recently, expatriates in Hanoi can enroll their children aged 4 to 15 years old at the United Nations International School (UNIS), meantime the same in HCMC can join the International School Ho Chi Minh City (ISH).

Accommodation

The quality and availability of international hotels has increased dramatically in recent years in Vietnam. Five and four-star international hotels are well abundant in Hanoi, Da Nang and HCMC. Besides, mini hotels are plentiful, easy to find and very cheap in comparison with the said first-tier hotels. For recent years, the current supply has been outstripping the demand.

In addition to hotels, housing space is now easy to find in big urban areas, especially Hanoi and HCMC. Many high-class and international standard residential buildings are now open for rent, with much lower prices compared to few years ago. Local standard housing space is also abundant, mainly from individual landlords, with cheaper prices. The high-class is often preferred by individual foreigners.

International and Local Travel

International flights are daily available from Hanoi and HCMC. Vietnam Airlines, and other domestic and foreign airlines have booking offices in both cities. Local flights are also daily busy from Hanoi to HCMC and vice versa. Actually, for local travels, Vietnam Airlines, Jestar Pacific, Vietjet Air, SkyViet, Vietstar Airlines and Hai Au (Albatros) are the six operating players. All these airlines use French or American made aircrafts.

By land travel, buses and trains are very common for local transportation of passengers around towns/cities and for inter-province trips including from Hanoi to HCMC and vice

versa. Metered-radio taxis are available in the major cities and at Noi Bai (Hanoi) and Tan Son Nhat (HCMC) airports. Car hire is relatively cheap and for shorter journeys cyclos (pedal driven transport) can be hired. It is expected that from 2016 onwards, Vietnam shall have another type of public transport, tramways (including skytrain and subway) to be put into use in two major cities, Hanoi and HCMC.

Media and Communications

The international communications system (telephone, telefax and telex) and internet infrastructure (broad band, optical cable, Wi-Fi) have been frequently upgraded so as to respond the increasing market demand. Also, electronic communications including Wi-Fi spot are quite common, standard and at reasonable cost, even Wi-Fi-free areas in Vietnam, especially in urban and industrial areas.

English-language newspapers, including online versions, are well available in Vietnam at present. The Vietnam News Agency publishes daily the English-language Vietnam News newspaper. In addition, there are a number of local newspapers and magazines in English language being published in Vietnam, which include the weekly Vietnam Investment Review newspaper, the weekly Vietnam Economic News Magazine, the monthly Vietnam Economic Times Magazine, etc. A number of other business magazines, published in neighboring countries, are also available.

The official Voice and Television of Vietnam broadcast news in English and other widely-used language, for instance, French. TV and Radio programs broadcast by foreign stations such as CNN, BCC, Australia Network, TV5, DW, Russia-1, NHK, KBS, etc. are also available.